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ISRAEL CONTINENTAL OIL COMPANY LIMITED
(No Personal Liability)

Seventeenth
ANNUAL
REPORT



1969-70

ISRAEL CONTINENTAL OIL COMPANY LIMITED
(*No Personal Liability*)

Head Office 100 Adelaide Street West, TORONTO, Canada
Executive Office 1010 Beaver Hall Hill, MONTREAL 128, Canada
Israel Office 10 Carlibach Street, TEL-AVIV, Israel

AUTHORIZED CAPITAL

5,000,000 Shares of \$1.00 Par Value
Issued 3,500,007

OFFICERS

BERNARD M. BLOOMFIELD *President and General Manager*
MURRAY G. BALLANTYNE *Vice-President*
L. M. BLOOMFIELD, Q.C., LL.D. *Secretary-Treasurer*

DIRECTORS

BERNARD M. BLOOMFIELD Montreal, Quebec
MURRAY G. BALLANTYNE Montreal, Quebec
L. M. BLOOMFIELD, Q.C., LL.D. Montreal, Quebec
F. GERALD TOWNSEND, F.C.A. Toronto, Ontario
PHILIP F. VINEBERG, Q.C. Montreal, Quebec

REGISTRARS

The Royal Trust Company Toronto, Ontario
Montreal Trust Company Calgary, Alta.

TRANSFER AGENTS

The Royal Trust Company Toronto, Ontario
Montreal Trust Company Calgary, Alta.

AUDITORS

Thorne, Gunn, Helliwell & Christenson Montreal, Quebec

HEAD OFFICE:
100 ADELAIDE ST. WEST
TORONTO, ONT.

ISRAEL OFFICE:
10 CARLIBACH STREET
TEL-AVIV, ISRAEL

ISRAEL CONTINENTAL OIL COMPANY LIMITED

(NO PERSONAL LIABILITY)

EXECUTIVE OFFICES:

1010 BEAVER HALL HILL
MONTREAL 128, CANADA

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Israel Continental Oil Company Limited will be held in Ottawa, Ont., on the 30th day of June 1970 at 11.00 A.M. in the Chateau Laurier Hotel, Ottawa, Ont., for the following purposes:

- (a) To receive and consider the Report of the Board of Directors, the Profit and Loss Account, the Balance Sheet and Accounts, and the Auditor's report thereon.
- (b) To ratify and confirm all acts, payments and proceedings of the Directors and Officers as set forth in the minutes and records of the Company from the date of the last Annual Meeting.
- (c) To elect Directors.
- (d) To appoint Auditors.
- (e) To transact any such further and other business as may properly come before the meeting.

Shareholders who are unable to attend are requested to complete the enclosed form of Proxy and post or deliver it to the Secretary of the Company at its Executive Offices, 1010 Beaver Hall Hill, Montreal, Canada, to reach him not later than 24 hours before the time appointed for the meeting.

DATED at Montreal, Canada, this 15th day of May, 1970.

By Order of the Board,
L. M. BLOOMFIELD,
Secretary-Treasurer.

(Please return Proxy to Executive Offices: Israel Continental Oil Company Limited, 1010 Beaver Hall Hill, Montreal 128, Canada)

PROXY

I, of
(Please Print)

being a shareholder in Israel Continental Oil Company Limited, do hereby appoint Bernard M. Bloomfield, President, or failing him, Murray G. Ballantyne, Vice-President, or
as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company, to be held on the 30th day of June 1970 and at every adjournment thereof, and at every poll, which may take place in consequence thereof.

AS WITNESS my hand this day of A.D. 1970

(Shareholder's Signature)

DIRECTORS' REPORT AND REVIEW

TO THE SHAREHOLDERS:

Israel Continental Oil Company Limited

ISRAEL

As indicated in previous reports, an agreement was entered into with the Government of Israel whereby the Company had obtained an option to acquire 500,000 Ordinary Registered Shares of nominal value U.S. \$1.00 each, in Lapidoth-Israel Oil Prospectors Corporation Limited, and 1,500,000 Ordinary Registered Shares of nominal value IL 1. each, in Naptha-Israel Petroleum Corporation Limited.

As will be seen in the notes to the Financial Statements (1b) the quoted market value of the securities was lower than the price agreed to under the option. Since then, the continuing decline in world stock markets has further reduced the market value of the securities. Your Directors are, therefore, making efforts to re-negotiate a new option arrangement with the State of Israel that would be more advantageous to the company under these circumstances.

CANADA

Your Company maintains its 40% interest in twenty-five producing wells in the Dodsland/Eureka area in Saskatchewan, which falls into three unit operations and one non-unitized operation.

South Eureka Unit

The Company's original interest of 40% in four wells is represented by a production factor of 1.37793% of the unitized operation.

Gleneath Unit

The Company's original interest of 40% in five wells is represented by a production factor of 2.2420% of the unitized production.

Eagle Lake Unit

The Company's original interest of 40% in eight wells is represented by a production factor of 2.4934% of the unitized operation. The results of the water flooding treatment, which entailed considerable expense, has not as yet shown the improvements anticipated, however, we have been recently advised by the operators that all major capital expenditures appear to be completed and that future operations should reflect a profit position.

Non-unitized Operation

The Company maintains a 40% interest in eight wells.

Agreement with Attwood Copper Mines Limited

As our shareholders were advised under date of February 20, 1970, an Agreement has been entered into with Attwood Copper Mines Limited, holder of seventeen mining claims situated in the extreme north central part of the State of Washington. Under the terms of the agreement your company has undertaken to spend \$50,000. on exploration and development work on the claims by December 31, 1970, at which time ownership of the claims will be transferred to the Company. Attwood will retain a 5% royalty based on net smelter returns received from production. There is also a royalty payment on all ore mined to owners of certain claims in a maximum amount of \$22,000. U.S. funds.

International Mogul Mines Limited have subscribed for 250,000 Common Shares of the Company's stock at 25¢ per share.

The proceeds of the issuance of the shares will be used to finance exploration and development on the Attwood claims.

Your Directors wish to express their appreciation for the loyal and efficient services rendered by the Officers and Personnel of the Company throughout the year.

On behalf of the Board of Directors

B. M. BLOOMFIELD
President

MONTREAL, Canada
May 15th, 1970.

ISRAEL CONTINENTAL OIL COMPANY LIMITED

(No Personal Liability)

Incorporated under the laws of Ontario

BALANCE SHEET – DECEMBER 31, 1969
(with comparative figures at December 31, 1968)

ASSETS

	<u>1969</u>	<u>1968</u>
Current Assets		
Cash	\$ –	\$ 86
Sundry receivables	539	1,797
	<u>539</u>	<u>1,883</u>
 Investment (note 1)	 <u>26,038</u>	 <u>17,372</u>
 Fixed Assets (note 2)		
Equipment and land lease and well costs	482,480	468,564
Less accumulated depreciation and amortization	192,525	170,195
	<u>289,955</u>	<u>298,369</u>

Approved by the Board: \$316,532 \$317,624
 B.M. BLOOMFIELD, Director
 MURRAY G. BALLANTYNE, Director

AUDITORS' REPORT

To the Shareholders of
 Israel Continental Oil Company Limited
(No Personal Liability)

We have examined the balance sheet of Israel Continental Oil Company Limited (No Personal Liability) as at December 31, 1969 and the statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

ISRAEL CONTINENTAL OIL COMPANY LIMITED

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BALANCE SHEET – DECEMBER 31, 1969

(with comparative figures at December 31, 1968)

LIABILITIES

	<u>1969</u>	<u>1968</u>
Current Liabilities		
Bank advances	\$ 72,973	\$ 57,500
Accounts payable and accrued liabilities	28,473	25,568
	<u>101,446</u>	<u>83,068</u>
 Payable to Directors.....	 65,400	 60,400

SHAREHOLDERS' EQUITY

Capital Stock

Authorized

5,000,000 Shares, par value \$1.....

Issued

3,500,007 Shares

Less discount (net)

3,500,007

3,500,007

1,797,500

1,797,500

1,702,507

1,702,507

Deficit

1,552,821

1,528,351

149,686

174,156

\$ 316,532

\$ 317,624

Commitments (note 3)

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON

Chartered Accountants

Montreal, Canada

March 17, 1970

ISRAEL CONTINENTAL OIL COMPANY LIMITED

(No Personal Liability)

STATEMENT OF INCOME AND DEFICIT

YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Income		
Crude oil sales less royalties	\$ 55,930	\$ 53,158
Expenses		
Administrative and general.....	17,193	16,000
Amortization of land, lease and well costs	10,176	9,087
Depreciation of furniture and fixtures	133	167
Depreciation of lease equipment	12,021	11,666
Production and field expenses	40,877	34,625
	80,400	71,545
Loss for the year	24,470	18,387
Deficit at beginning of year	1,528,351	1,509,964
Deficit at end of year	\$1,552,821	\$1,528,351

ISRAEL CONTINENTAL OIL COMPANY LIMITED

(No Personal Liability)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Source of Funds		
Loss for the year	\$ —	\$ 18,387
Depreciation and amortization which do not involve current funds	—	20,920
	—	2,533
Payable to directors	5,000	—
	5,000	2,533
Application of Funds		
Loss for the year	24,470	—
Depreciation and amortization.....	22,330	—
	2,140	—
Additions to fixed assets	13,916	6,572
Increase in investment	8,666	8,649
	24,722	15,221
Increase in working capital deficiency	19,722	12,688
Working capital deficiency at beginning of year	81,185	68,497
Working capital deficiency at end of year	\$ 100,907	\$ 81,185

ISRAEL CONTINENTAL OIL COMPANY LIMITED

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1969

1. Investment

a) On April 27, 1967 the company entered into an Option Agreement with the State of Israel for the purchase of 500,000 ordinary registered shares of nominal value U.S. \$1 each of Lapidoth Israel Oil Prospectors Corporation Limited and 1,500,000 ordinary registered shares of nominal value of IL 1 each in Naptha Israel Petroleum Corporation Limited.

The consideration for the option is U.S. \$40,050 payable in five annual instalments. The first instalment of U.S. \$8,010 was paid on May 9, 1967, the second of U.S. \$8,010 on May 7, 1968 and the third of U.S. \$8,010 on May 1, 1969, bringing total investment to U.S. \$24,030 (Cdn. \$26,037) as at December 31, 1969.

b) The quoted market value of the securities to be acquired under the option agreement at December 31, 1969 was U.S. \$390,000. The total cost of the shares to be purchased under the option agreement will be U.S. \$440,550.

2. Fixed assets

	1969		1968
	Cost	Accumulated depreciation and amortization	Net
Furniture	\$ 2,545	\$ 2,011	\$ 534
Lease equipment	120,197	67,582	52,615
Land, lease and well costs	359,738	122,932	236,806
	<u>\$482,480</u>	<u>\$192,525</u>	<u>\$289,955</u>
			<u>\$298,369</u>

3. Commitments

The company by an agreement dated February 20, 1970 with Attwood Copper Mines Ltd. holder of seventeen mining claims in the extreme north central part of the State of Washington, undertakes to spend \$50,000 in carrying out exploration and development work on the claims. Such exploration is to be completed by December 31, 1970, at which time ownership of the claims will be transferred to the company, with Attwood Copper Mines Ltd retaining a 5% royalty based on net smelter returns received from production.

There is also a royalty payment on all ore mined to owners of certain claims in a maximum amount of \$22,000 U.S. funds.

4. Directors' remuneration

Remuneration of directors and senior officers (as defined by the Corporations Act) is as follows:

	1969	1968
Directors and senior officers	\$ 500	\$2,835
Other employees	2,426	2,426
	<u>\$2,926</u>	<u>\$5,261</u>

ADMINISTRATIVE AND GENERAL EXPENSES

YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

	1969	1968
Automobile	\$ 240	\$ 240
Directors' salaries and fees	500	2,835
General.	1,633	527
Interest and bank charges.	5,569	4,105
Legal, audit and accounting fees	1,500	1,100
Office salaries.	2,426	2,426
Printing and stationery.	108	62
Rent.	2,400	2,400
Shareholders' annual meeting.	622	493
Transfer agent fees.	1,717	1,509
Travel and entertainment.	478	303
	<u>\$17,193</u>	<u>\$16,000</u>

